CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE AUDIT OFFICE

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YOLO COUNTY COUNTY AGRICULTURAL COMMISSIONER'S OFFICE PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #08-086

FOR THE FISCAL PERIOD JULY 1, 2005 THROUGH JUNE 30, 2008

YOLO COUNTY AGRICULTURAL COMMISSIONER'S OFFICE

PIERCE'S DISEASE CONTROL CONTRACT

FOR THE FISCAL PERIOD JULY 1, 2005 THROUGH JUNE 30, 2008

AUDIT STAFF

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<u>AUDIT REPORT NUMBER</u> 08-086

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Mr. Rick Landon Agricultural Commissioner Sealer of Weights and Measures Yolo County 70 Cottonwood Street Woodland, CA 95695

INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office perform a contract compliance audit of three contracts with Yolo County, County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 05-0392, 06-0379, and 07-0171 for the 2005/06, 2006/07 and 2007/08 fiscal years.

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided three recommendations to improve the compliance of Yolo County. The County must respond in writing to these findings and recommendations.

Kon Shackelford, CPA Chief, Audit Office

January 27, 2009



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CONCLUSION

We recommend the PDCP accept the charges that were billed to the program during fiscal years 2005/06, 2006/07, and 2007/08. On a going forward basis, the CAC should adjust its invoiced costs to agree with actual costs in accordance with the requirements of the contract and Title 2 Code of Federal Register Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225.) Additionally, we recommend the CAC maintain all supporting documents related to its billing invoices, review and improve current billing practices, and establish an indirect cost reimbursement methodology or risk the possibility of a portion of these costs not being reimbursed by the program.

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AUDIT OF PIERCE'S DISESE CONTROL CONTRACT REPORTABLE CONDITIONS

PERMANENT EMPLOYEE STAFF BENEFITS PERCENTAGE

The CAC's current method of billing the PDCP for staff benefits does not comply with existing federal requirements. Although the CAC used the actual staff benefit rate for the last eight months of the 2007/2008 fiscal year, the CAC determined the staff benefit percentage rate by forecasting costs and used a flat budgeted rate of 24% of permanent employee salaries and 10% of temporary employee salaries for 2005/2006, 2006/2007, and the first four months of 2007/2008 rather than actual costs. We recalculated the CAC's staff benefit percentage for the three fiscal years by using actual costs for the County Expenditure Summary by Fund & Budget Unit and noted a reasonable calculation of actual costs were 36.79% for 2005/2006, 38.36% for 2006/2007, and 39.61% for 2007/2008. The CAC did not adjust their invoiced costs to agree with actual in accordance with the requirements. The use of these rates caused the CAC to invoice the PDCP for less costs than the amount it actually incurred. Since the total annual expense for the services provided exceeded the contract amount in two of the three years, we recommend PDCP accept the charges billed. Additionally, on a going forward basis, the CAC should comply with 2 CFR 225 regarding billing rates.

2 CFR 225 states, "...Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates...are revised at least quarterly, if necessary, to reflect changed circumstances."

If the CAC uses a flat percentage rate for benefits, it should be based on some reasonable averaged basis. Two different methods that are commonly used for determining an acceptable rate are: (1) a simple average for the Agriculture Department on whole, and (2) a modified weighted average based on classifications billed to the Program. Both of these methods use prior year actual expenses in the percentage calculation.

Recommendation

1. The CAC should comply with 2 CFR 225 by ensuring the staff benefits rate billed to the program is properly supported by using actual costs up to amounts limited by the

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contract. This will mitigate the possibility of the State disallowing any costs claimed in the future.

BILLING OF INDIRECT COSTS

During the audit period, we noted that the CAC charged the PDCP for indirect costs at the budgeted rate of 20% of its direct labor costs. We recomputed the County's indirect cost rate using actual County financial information. Based on our computation, we determined that the actual indirect cost rate was calculated to 33.55% for the 2005/2006, 39.77% for the 2006/2007, and 46.21% for the 2007/2008 fiscal years. Since the CAC continued to perform services for the PDCP even after the contract amount has exceeded in two of the three years, no amount is to be reimbursed to the PDCP. The contract and 2 CFR 225 require actual costs be charged to the programs and budget estimates do not qualify as support for charges

Recommendation

2. The CAC should comply with 2 CFR 225 by ensuring the indirect cost rate billed to the PDCP is properly supported by using actual costs incurred by the CAC. The CAC should seek assistance from the PDCP when it requires assistance in renegotiating its indirect cost rate.

SUPPORTING DOCUMENTATION FOR CLAIMED EMPLOYEE MILEAGE

The County's supporting documentation for vehicle mileage claimed against the federal award should be improved in order for the County to be in full compliance with OMB A-87. Currently, employees reflect only the number of miles traveled in performing contracted services on timesheets. More detailed information, such as the locations visited, and/or beginning and ending trip odometer readings are not being recorded or attested to by the employee on the timesheets. Although the County requires employees to complete daily activity reports specifying the related activity worked on, these reports also do not reflect the premises visited or specify the beginning or ending vehicle odometer readings. Therefore, we cannot determine whether the mileage claimed against all three contracts is fully appropriate.

Recommendation

3. The County should improve its accounting over employee mileage costs invoiced for reimbursement by requiring employees to record either the premises visited or the beginning or ending odometer readings on daily activity reports. This will mitigate the possibility of the State disallowing claimed mileage.

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COUNTY AGRICULTURAL COMMI	ISSIONER'S RESPONSE

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Rick Landon
AGRICULTURAL COMMISSIONER
SEALER OF WEIGHTS AND MEASURES

To: California Department of Food and Agriculture 1220 N Street, Room 344 Sacramento. California 95814

From: Dennis Chambers

Chief Deputy Commissioner

Yolo County Agriculture Department

Subject: Audit Response

Report #08-086, Pierce's Disease Control Contract Fiscal Period July 1, 2005 through June 30, 2008

On January 27, 2009, CDFA audit staff met with Yolo County Agriculture Department management to discuss findings and recommendations from an audit performed on January 26 & 27, 2009. That audit found three areas with reportable conditions identified as weaknesses in the county's Pierce's Disease Control Program. Each finding and county corrected measure is as follows:

- 1. <u>County/State Vehicle Mileage Reimbursement</u> The County does not maintain mileage logs, or other adequately documented support, by employee or vehicle to support the miles claimed and insure accuracy and control.
- Yolo County has since begun tracking mileage for each vehicle used by the department on a
 monthly basis. GWSS Control associated staff document mileage directed toward the program on
 a daily basis.
- 2. <u>Staff Benefit Rates</u> The County budgeted benefit rate (flat rate) was billed at a rate lower than actual
- The County will invoice in compliance with 2 CFR 225 by ensuring staff benefits are billed using
 actual costs up to amounts limited by the contract. (note: invoiced amounts were less than actual
 county costs)
- 3. <u>Billing of Indirect Costs</u> The County invoiced for indirect costs at a 20% rate of direct labor costs.
- The County invoiced indirect cost rate of 20% was lower that the actual A87 cost rate. The County will invoice at the maximum rate of 25% as permitted within the GWSS contract guidelines.

2/22/2010

Sincerely

Dennis Chambers

Chief Deputy Commissioner

Yolo County Agriculture Department

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CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the County of Yolo County Agricultural Commissioner, Woodland, California, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

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DISPOSITION OF AUDIT RESULTS

The findings in this audit report are based on fieldwork that my staff performed between January 26, 2009 and January 27, 2009. My staff met with management on January 27, 2009 to discuss the findings and recommendations.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, once finalized, this report is a matter of public record and its distribution is not limited.

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REPORT DISTRIBUTION

Number	Recipient
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office